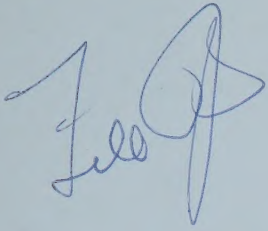


AR47



Report

of

**The
Craig Bit Company
Limited**

For the Year Ended September 30, 1966

THE CRAIG BIT COMPANY LIMITED

DIRECTORS

| | |
|-----------------|--------------------|
| J. C. ALEXANDER | Galt, Ontario |
| J. A. DRAIN | Ligonier, Pa. |
| J. KOSTUIK | Don Mills, Ontario |
| K. V. LINDELL | Asbestos, Quebec |
| D. D. MASON | Pittsburgh, Pa. |
| R. C. MOTT | Toronto, Ontario |
| E. O'NEIL | Pittsburgh, Pa. |

OFFICERS

| | |
|-----------------|---------------------|
| J. C. ALEXANDER | PRESIDENT |
| D. D. MASON | VICE-PRESIDENT |
| J. A. READ | WORKS MANAGER |
| D. N. MORRIS | SECRETARY-TREASURER |

HEAD OFFICE

| | |
|------------------|--------------------|
| 180 Ninth Street | North Bay, Ontario |
|------------------|--------------------|

AUDITORS

| | |
|------------------------|-------------------|
| PRICE WATERHOUSE & CO. | Hamilton, Ontario |
|------------------------|-------------------|

TRANSFER AGENT AND REGISTRAR

| | |
|--------------------|------------------|
| MONTREAL TRUST CO. | Toronto, Ontario |
|--------------------|------------------|

Annual Report of the Directors to the Shareholders of The Craig Bit Company Limited

Your Board of Directors submits herewith its Annual Report, together with the Report of your Auditors. These reports will be presented for the approval of Shareholders at the Annual Meeting of the Company, to be held in the Prince Edward Island Room at the Royal York Hotel, Toronto, on Friday, January 27th, 1967, at 11:00 o'clock.

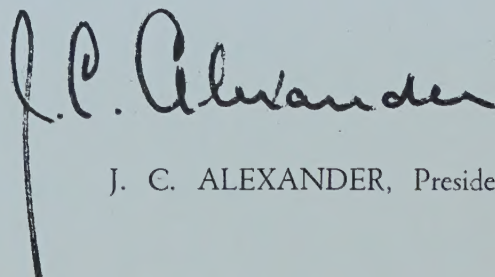
Because of the low profit performance in the first half of the year, considerable changes were made in the operations of The Craig Bit Company Limited, in the last quarter of the year. These changes, involving management, production and selling policy, were instituted to bring about an improvement in the profit picture. I am pleased to be able to report that already there are excellent indications that worthwhile progress is being made in profit improvement and product development.

During the year a new contract was signed with the Company Labour Union, covering a period of twenty-seven months, ending March 30th, 1968. The increased costs in labour and materials encountered in 1966 are being offset by some price increases, improved plant efficiency, quality and increased volume.

A new gas carburizing furnace is being installed for the heat treating of special drill steel used widely in the mining and construction field. We expect this will open up new markets and provide volume sales and increased profit to the operations at North Bay. The cost of this installation will be in excess of \$100,000 and is a further step in the program to provide improved manufacturing facilities and profit.

The Board wishes to express its appreciation to the officers and employees of the Company for their loyal support and co-operation during the year.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "J. C. Alexander". The signature is written in a cursive, flowing style. Below the signature, there is a long, thin vertical line that extends downwards.

J. C. ALEXANDER, President.

PRICE WATERHOUSE & CO.

**39 JAMES STREET SOUTH
HAMILTON, ONTARIO**

AUDITORS' REPORT

October 25, 1966.

To the Shareholders of
The Craig Bit Company Limited:

We have examined the balance sheet of The Craig Bit Company Limited as at September 30, 1966, and the related statement of operations and earned surplus for the year ended on that date. Our examination was made in conformity with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statement of operations and earned surplus present fairly the financial position of the company as at September 30, 1966, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the statement of source and use of funds for the year ended September 30, 1966, which is presented as supplementary information and, in our opinion, the statement presents fairly the information shown therein.

Price Waterhouse Co.

Chartered Accountants.

THE CRAIG BIT

(Incorporated Un

BALANCE SHEET

With comparative fi

| | ASSETS | |
|---|--------------------|--------------------|
| | 1966 | 1965 |
| CURRENT ASSETS: | | |
| Cash | \$ 79,896 | \$ 4,446 |
| Short term investments, at cost, which approximates market | 253,664 | 351,843 |
| Accounts receivable | 188,686 | 244,056 |
| Income taxes recoverable | 10,536 | (4,936) |
| Inventories, valued at the lower of cost or net realizable value | 478,771 | 374,956 |
| Prepaid expenses | 18,704 | 23,230 |
| | <u>1,030,257</u> | <u>993,595</u> |
| LAND, BUILDINGS, MACHINERY AND EQUIPMENT, at Cost | 1,088,260 | 1,073,956 |
| Less — Accumulated depreciation | <u>830,027</u> | <u>783,517</u> |
| | 258,233 | 290,439 |
| BONDS ON DEPOSIT as power contract guarantees — at cost (current market value \$3,075) | <u>3,427</u> | <u>3,427</u> |
| | <u>\$1,291,917</u> | <u>\$1,287,461</u> |

COMPANY LIMITED

(the Laws of Ontario)

SEPTEMBER 30, 1966

as at September 30, 1965

LIABILITIES

| | 1966 | 1965 |
|--|---------------|---------------|
| CURRENT LIABILITIES: | | |
| Accrued wages and salaries including provision for vacation pay | \$ 34,977 | \$ 31,505 |
| Accounts payable and accrued | 139,515 | 134,745 |
| Dividends payable | 4,640 | 4,640 |
| | <hr/> 179,132 | <hr/> 170,890 |
| DEFERRED INCOME TAXES (note) | 35,800 | 30,000 |

CAPITAL STOCK AND SURPLUS

Capital Stock —

| | | |
|--|-----------------|-----------------|
| Authorized — 500,000 common shares of no par value | | |
| Issued and fully paid — 232,000 common shares | 180,214 | 180,214 |
| Earned surplus, per statement attached | 896,771 | 906,357 |
| | <hr/> 1,076,985 | <hr/> 1,086,571 |

APPROVED ON BEHALF OF THE BOARD:

J. P. Alexander Director.

David Mason Director.

| | |
|-------------------|-------------------|
| <hr/> \$1,291,917 | <hr/> \$1,287,461 |
|-------------------|-------------------|



One Corner of the Production Facilities in the Plant

THE CRAIG BIT COMPANY LIMITED

STATEMENT OF OPERATIONS AND EARNED SURPLUS FOR THE YEAR ENDED SEPTEMBER 30, 1966

With comparative figures for the year 1965

| | 1966 | 1965 |
|--|-----------------|-----------------|
| Income from operations before the undernoted | \$ 45,344 | \$126,094 |
| Add—Investment income | 17,140 | 16,812 |
| | <hr/> 62,484 | <hr/> 142,906 |
| LESS: Depreciation | 46,510 | 54,432 |
| Income taxes (<i>note</i>) | 7,000 | 44,300 |
| | <hr/> 53,510 | <hr/> 98,732 |
| Net income for the year | 8,974 | 44,174 |
| Earned surplus at beginning of the year | 906,357 | 880,743 |
| | <hr/> 915,331 | <hr/> 924,917 |
| Less—Dividends declared | 18,560 | 18,560 |
| | <hr/> \$896,771 | <hr/> \$906,357 |
| Earned surplus at end of year | <hr/> <hr/> | <hr/> <hr/> |

NOTE: The provision for income taxes of \$7,000 for the year 1966 includes an amount of \$5,800 which is not currently payable as a result of claiming for tax purposes capital cost allowances in excess of depreciation recorded in the accounts. This amount of \$5,800 is applicable to those future periods in which capital cost allowances claimed for tax purposes will be less than depreciation recorded in the accounts and is accordingly included in the balance sheet as "Deferred Income Taxes".

THE CRAIG BIT COMPANY LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1966

| | 1966 | 1965 |
|--------------------------------------|-------------------------|-------------------------|
| WORKING CAPITAL AT BEGINNING OF YEAR | \$822,705 | \$802,606 |
| SOURCE OF FUNDS: | | |
| Net profit for the year | 8,974 | 44,174 |
| Depreciation | 46,510 | 54,432 |
| Deferred income taxes | 5,800 | 30,000 |
| | <u>61,284</u> | <u>128,606</u> |
| USE OF FUNDS: | | |
| Increase in fixed assets (net) | 14,304 | 89,947 |
| Dividends declared | 18,560 | 18,560 |
| | <u>32,864</u> | <u>108,507</u> |
| Increase in working capital | 28,420 | 20,099 |
| WORKING CAPITAL AT END OF YEAR | <u><u>\$851,125</u></u> | <u><u>\$822,705</u></u> |



CANADA'S MOST COMPLETE RANGE OF QUALITY RODS AND BITS

**SALES AND SERVICE BY:
JOY MANUFACTURING COMPANY (CANADA) LTD.**